



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011  
OF THE CONDITION AND AFFAIRS OF THE

HealthSpring Life & Health Insurance Company, Inc.

NAIC Group Code34773477NAIC Company Code12902Employer's ID Number20-8534298  
(Current)(Prior)

Organized under the Laws ofTexas, State of Domicile or Port of EntryTexas

Country of DomicileUnited States of America

Licensed as business type:Life, Accident & Health

Is HMO Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized02/27/2007Commenced Business02/27/2007

Statutory Home Office2900 North Loop West, Suite 1300Houston , TX 77092  
(Street and Number)(City or Town, State and Zip Code)

Main Administrative Office601 Mainstream Dr.615-291-7000  
(Street and Number)(Area Code) (Telephone Number)  
Nashville , TN 37228  
(City or Town, State and Zip Code)

Mail Address9009 Carothers ParkwayFranklin, TN 37067  
(Street and Number or P.O. Box)(City or Town, State and Zip Code)

Primary Location of Books and Records601 Mainstream Dr.615-291-7000  
(Street and Number)(Area Code) (Telephone Number)  
Nashville , TN 37228  
(City or Town, State and Zip Code)

Internet Website Addresswww.healthspring.com

Statutory Statement ContactBeth Ann Hollingsworth615-236-6252  
(Name)(Area Code) (Telephone Number)  
regulatory@healthspring.com615-401-4566  
(E-mail Address)(FAX Number)

OFFICERS

President, Chairman & CEOMichael Glenn MirtVice President & SecretaryMark Andrew Tulloch

Chief Financial OfficerFranklin Stewart WarrenChief ActuaryDavid Lowell Terry

OTHER

Dana Michelle Fields Compliance Officer	James Russell Hailey President - Pharmaceutical Operations	Brian Thomas McCullough Treasurer
Clifton Scott Jacobson Vice President	Allen Curtis Perez # Vice President	Scott Christian Huebner Divisional CEO
Matthew Shawn Morris Divisional CEO	Gregory James Allen Divisional President	Jay Landon Hurt Divisional President
Peter Ronald Gardner # Vice President	Kristinn Klunkert Benton Vice President	

DIRECTORS OR TRUSTEES

Scott Christian Huebner	Robert Lambdin Dawson	Matthew Shawn Morris
Michael Glenn Mirt	Mark Andrew Tulloch	

State ofTennesseeSS:

County ofDavidison

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Scott Christian Huebner #  
President, Chairman and CEO

Franklin Stewart Warren  
Chief Financial Office

Mark Andrew Tulloch  
Vice President & Secretary

Subscribed and sworn to before me this  
day ofFebruary, 2012

a. Is this an original filing? Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number.....  
2. Date filed .....  
3. Number of pages attached.....

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	87,946,815		87,946,815	86,284,405
2. Stocks (Schedule D):				
2.1 Preferred stocks .....			0	
2.2 Common stocks .....			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	
3.2 Other than first liens .....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	
5. Cash (\$ .....83,341,181 , Schedule E - Part 1), cash equivalents (\$ .....8,875,832 , Schedule E - Part 2) and short-term investments (\$ .....6,197,051 , Schedule DA) .....	98,414,063		98,414,063	34,976,361
6. Contract loans, (including \$ ..... premium notes) .....			0	
7. Derivatives (Schedule DB) .....			0	
8. Other invested assets (Schedule BA) .....			0	
9. Receivables for securities .....			0	
10. Securities lending reinvested collateral assets (Schedule DL) .....			0	
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	186,360,878	0	186,360,878	121,260,766
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	
14. Investment income due and accrued .....	836,659		836,659	804,885
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	9,417,724		9,417,724	12,721,246
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	
15.3 Accrued retrospective premiums .....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....			0	
16.2 Funds held by or deposited with reinsured companies .....			0	
16.3 Other amounts receivable under reinsurance contracts .....			0	
17. Amounts receivable relating to uninsured plans .....	37,204,955		37,204,955	89,658,313
18.1 Current federal and foreign income tax recoverable and interest thereon .....	3,501,804		3,501,804	
18.2 Net deferred tax asset .....	4,254,174	942,995	3,311,179	2,417,876
19. Guaranty funds receivable or on deposit .....			0	
20. Electronic data processing equipment and software .....			0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	
23. Receivables from parent, subsidiaries and affiliates .....	190	190	0	
24. Health care (\$ .....52,363,220 ) and other amounts receivable .....	52,437,123	73,903	52,363,220	38,213,689
25. Aggregate write-ins for other than invested assets .....	300	0	300	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	294,013,807	1,017,088	292,996,719	265,076,775
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	
28. Total (Lines 26 and 27)	294,013,807	1,017,088	292,996,719	265,076,775
DETAILS OF WRITE-INS				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) .....	0	0	0	0
2501. Other assets .....	300		300	
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	300	0	300	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ .....0 reinsurance ceded) .....	75,596,149	1,446,295	77,042,444	64,568,629
2. Accrued medical incentive pool and bonus amounts .....	514,946	3,686,856	4,201,802	4,955,235
3. Unpaid claims adjustment expenses .....		669,528	669,528	554,539
4. Aggregate health policy reserves, including the liability of \$ .....0 for medical loss ratio rebate per the Public Health Service Act .....	10,477,929		10,477,929	2,919,412
5. Aggregate life policy reserves .....			0	
6. Property/casualty unearned premium reserves .....			0	
7. Aggregate health claim reserves .....	0		0	0
8. Premiums received in advance .....	70,717		70,717	160,816
9. General expenses due or accrued .....	1,618,527		1,618,527	626,641
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....			0	14,470,155
10.2 Net deferred tax liability .....			0	
11. Ceded reinsurance premiums payable .....			0	
12. Amounts withheld or retained for the account of others .....	602,405		602,405	
13. Remittance and items not allocated .....	1,064		1,064	
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	
15. Amounts due to parent, subsidiaries and affiliates .....	18,838,573		18,838,573	35,614,424
16. Derivatives .....			0	
17. Payable for securities .....			0	
18. Payable for securities lending .....			0	
19. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ .....0 unauthorized reinsurers) .....			0	
20. Reinsurance in unauthorized companies .....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	
22. Liability for amounts held under uninsured plans .....			0	
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	375,040	0	375,040	140,591
24. Total liabilities (Lines 1 to 23) .....	108,095,350	5,802,679	113,898,029	124,010,442
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
26. Common capital stock .....	XXX	XXX	2,500,000	2,500,000
27. Preferred capital stock .....	XXX	XXX		
28. Gross paid in and contributed surplus .....	XXX	XXX	36,200,465	36,200,465
29. Surplus notes .....	XXX	XXX	0	
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
31. Unassigned funds (surplus) .....	XXX	XXX	140,398,226	102,365,868
32. Less treasury stock, at cost:				
32.1 ..... shares common (value included in Line 26 \$ ..... ) .....	XXX	XXX		
32.2 ..... shares preferred (value included in Line 27 \$ ..... ) .....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	179,098,691	141,066,333
34. Total liabilities, capital and surplus (Lines 24 and 33) .....	XXX	XXX	292,996,720	265,076,775
DETAILS OF WRITE-INS				
2301. Fines and penalties .....	350,200		350,200	58,500
2302. Pharmacy rebate payable .....	24,840		24,840	
2303. Asset valuation reserve .....			0	82,091
2308. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2309. Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above) .....	375,040	0	375,040	140,591
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above) .....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,807,229	5,389,806
2. Net premium income ( including \$ ..... non-health premium income) .....	XXX	1,253,791,914	1,116,955,264
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	0	
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX	0	
5. Risk revenue .....	XXX	0	
6. Aggregate write-ins for other health care related revenues .....	XXX	(6,016,079)	(5,215,030)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	1,247,775,835	1,111,740,234
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		477,001,117	405,866,359
10. Other professional services .....		9,753,374	2,398,490
11. Outside referrals .....	14,352,103	14,352,103	31,886,659
12. Emergency room and out-of-area .....	553,850	11,553,293	10,498,194
13. Prescription drugs .....		460,934,716	426,710,578
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts .....	3,319,727	10,183,753	8,155,348
16. Subtotal (Lines 9 to 15) .....	18,225,680	983,778,356	885,515,628
<b>Less:</b>			
17. Net reinsurance recoveries .....		0	
18. Total hospital and medical (Lines 16 minus 17) .....	18,225,680	983,778,356	885,515,628
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$ .....33,292,397 cost containment expenses .....	665,604	46,679,802	6,175,880
21. General administrative expenses .....		100,688,261	122,044,114
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....		0	
23. Total underwriting deductions (Lines 18 through 22).....	18,891,284	1,131,146,419	1,013,735,622
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	116,629,416	98,004,612
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		1,994,788	1,525,012
26. Net realized capital gains (losses) less capital gains tax of \$ .....32,527 .....		60,410	76,013
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	2,055,198	1,601,025
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....	0	(238,715)	(181,492)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	118,445,899	99,424,145
31. Federal and foreign income taxes incurred .....	XXX	43,824,859	34,320,946
32. Net income (loss) (Lines 30 minus 31) .....	XXX	74,621,040	65,103,199
<b>DETAILS OF WRITE-INS</b>			
0601. Bad debt expense .....	XXX	(6,016,079)	(5,215,030)
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	(6,016,079)	(5,215,030)
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	0	0
2901. Penalties and fines .....		(238,715)	(181,492)
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	(238,715)	(181,492)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	141,066,333	110,550,345
34. Net income or (loss) from Line 32 .....	74,621,040	65,103,199
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....	(3,616,043)	(344,035)
39. Change in nonadmitted assets .....	4,445,270	1,448,765
40. Change in unauthorized reinsurance .....	0	
41. Change in treasury stock .....	0	
42. Change in surplus notes .....	0	
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in .....	0	10,000,000
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....	(37,500,000)	(45,000,000)
47. Aggregate write-ins for gains or (losses) in surplus .....	82,091	(691,941)
48. Net change in capital and surplus (Lines 34 to 47) .....	38,032,358	30,515,988
49. Capital and surplus end of reporting period (Line 33 plus 48)	179,098,691	141,066,333
DETAILS OF WRITE-INS		
4701. Change in asset valuation reserve .....	82,091	(82,091)
4702. Valley Baptist deferred payment .....		(609,850)
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	82,091	(691,941)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	1,258,547,775	1,113,522,930
2. Net investment income .....	3,450,826	1,861,303
3. Miscellaneous income .....	0	
4. Total (Lines 1 through 3) .....	1,261,998,601	1,115,384,233
5. Benefit and loss related payments .....	986,246,550	901,857,898
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	93,786,881	207,837,865
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ 40,398 tax on capital gains (losses) .....	61,829,346	19,842,780
10. Total (Lines 5 through 9) .....	1,141,862,777	1,129,538,543
11. Net cash from operations (Line 4 minus Line 10) .....	120,135,824	(14,154,310)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	17,336,364	9,227,849
12.2 Stocks .....	0	
12.3 Mortgage loans .....	0	
12.4 Real estate .....	0	
12.5 Other invested assets .....	0	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	
12.7 Miscellaneous proceeds .....	0	
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	17,336,364	9,227,849
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	20,361,917	95,213,716
13.2 Stocks .....	0	
13.3 Mortgage loans .....	0	
13.4 Real estate .....	0	
13.5 Other invested assets .....	0	
13.6 Miscellaneous applications .....	0	
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	20,361,917	95,213,716
14. Net increase (decrease) in contract loans and premium notes .....	0	
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(3,025,553)	(85,985,867)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	
16.2 Capital and paid in surplus, less treasury stock .....	0	10,000,000
16.3 Borrowed funds .....	0	
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	
16.5 Dividends to stockholders .....	37,500,000	45,000,000
16.6 Other cash provided (applied) .....	(16,172,568)	11,841,874
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(53,672,568)	(23,158,126)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	63,437,703	(123,298,303)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	34,976,361	158,274,664
19.2 End of year (Line 18 plus Line 19.1) .....	98,414,064	34,976,361

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2011 OF THE HealthSpring Life & Health Insurance Company, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	1,253,791,914						757,634,170		496,157,744	
2. Change in unearned premium reserves and reserve for rate credit .....	0									
3. Fee-for-service (net of \$ ..... medical expenses) .....	0									XXX
4. Risk revenue .....	0									XXX
5. Aggregate write-ins for other health care related revenues .....	(6,016,079)	0	0	0	0	0	(275,971)	0	(5,740,108)	XXX
6. Aggregate write-ins for other non-health care related revenues .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6) .....	1,247,775,835	0	0	0	0	0	757,358,199	0	490,417,636	0
8. Hospital/medical benefits .....	477,001,117						477,001,117			XXX
9. Other professional services .....	9,753,374						9,753,374			XXX
10. Outside referrals .....	14,352,103						14,352,103			XXX
11. Emergency room and out-of-area .....	11,553,293						11,553,293			XXX
12. Prescription drugs .....	460,934,716						62,833,539		398,101,177	XXX
13. Aggregate write-ins for other hospital and medical .....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	10,183,753						10,183,753			XXX
15. Subtotal (Lines 8 to 14) .....	983,778,356	0	0	0	0	0	585,677,179	0	398,101,177	XXX
16. Net reinsurance recoveries .....	0									XXX
17. Total medical and hospital (Lines 15 minus 16) .....	983,778,356	0	0	0	0	0	585,677,179	0	398,101,177	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ .....33,292,397 cost containment expenses .....	46,679,802						33,692,057	0	12,987,745	
20. General administrative expenses .....	100,688,261						63,046,643		37,641,618	
21. Increase in reserves for accident and health contracts .....	0									XXX
22. Increase in reserves for life contracts .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22) .....	1,131,146,419	0	0	0	0	0	682,415,879	0	448,730,540	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23) .....	116,629,416	0	0	0	0	0	74,942,320	0	41,687,096	0
DETAILS OF WRITE-INS										
0501. Bad debt expense .....	(6,016,079)						(275,971)		(5,740,108)	XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	(6,016,079)	0	0	0	0	0	(275,971)	0	(5,740,108)	XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....				0
2.	Medicare Supplement .....				0
3.	Dental only .....				0
4.	Vision only .....				0
5.	Federal Employees Health Benefits Plan .....	0			0
6.	Title XVIII - Medicare .....	757,634,170			757,634,170
7.	Title XIX - Medicaid .....	0			0
8.	Other health .....	496,157,744			496,157,744
9.	Health subtotal (Lines 1 through 8) .....	1,253,791,914	0	0	1,253,791,914
10.	Life .....	0			0
11.	Property/casualty .....	0			0
12.	Totals (Lines 9 to 11)	1,253,791,914	0	0	1,253,791,914



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct .....	975,309,363						570,421,087		404,888,276	
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	0									
1.4 Net .....	975,309,363	0	0	0	0	0	570,421,087	0	404,888,276	0
2. Paid medical incentive pools and bonuses .....	10,937,187						10,937,187			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	77,042,444	0	0	0	0	0	41,227,599	0	35,814,845	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	77,042,444	0	0	0	0	0	41,227,599	0	35,814,845	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0									
4.2 Reinsurance assumed .....	0									
4.3 Reinsurance ceded .....	0									
4.4 Net .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	4,201,802						4,201,802			
6. Net healthcare receivables (a) .....	14,188,576						2,205,600	0	11,982,976	
7. Amounts recoverable from reinsurers December 31, current year .....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	64,568,628						33,951,403		30,617,225	
8.2 Reinsurance assumed .....	0									
8.3 Reinsurance ceded .....	0									
8.4 Net .....	64,568,628	0	0	0	0	0	33,951,403	0	30,617,225	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0									
9.2 Reinsurance assumed .....	0									
9.3 Reinsurance ceded .....	0									
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year .....	4,955,236						4,955,236			
11. Amounts recoverable from reinsurers December 31, prior year .....	0									
12. Incurred Benefits:										
12.1 Direct .....	973,594,603	0	0	0	0	0	575,491,683	0	398,102,920	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
12.4 Net .....	973,594,603	0	0	0	0	0	575,491,683	0	398,102,920	0
13. Incurred medical incentive pools and bonuses .....	10,183,753	0	0	0	0	0	10,183,753	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	42,518,676						7,623,840		34,894,836	
1.2 Reinsurance assumed .....	.0									
1.3 Reinsurance ceded .....	.0									
1.4 Net .....	42,518,676	.0	.0	.0	.0	.0	7,623,840	.0	34,894,836	.0
2. Incurred but Unreported:										
2.1 Direct .....	34,523,768						33,603,759		920,009	
2.2 Reinsurance assumed .....	.0									
2.3 Reinsurance ceded .....	.0									
2.4 Net .....	34,523,768	.0	.0	.0	.0	.0	33,603,759	.0	920,009	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	.0									
3.2 Reinsurance assumed .....	.0									
3.3 Reinsurance ceded .....	.0									
3.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:										
4.1 Direct .....	77,042,444	.0	.0	.0	.0	.0	41,227,599	.0	35,814,845	.0
4.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net .....	77,042,444	0	0	0	0	0	41,227,599	0	35,814,845	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....					0	
2. Medicare Supplement .....					0	
3. Dental Only .....					0	
4. Vision Only .....					0	
5. Federal Employees Health Benefits Plan .....					0	
6. Title XVIII - Medicare .....	26,117,075	544,304,012	141,053	41,086,546	26,258,128	33,951,403
7. Title XIX - Medicaid .....					0	
8. Other health .....	(5,115,101)	410,028,216	1,061,750	34,753,095	(4,053,351)	30,617,226
9. Health subtotal (Lines 1 to 8) .....	21,001,974	954,332,228	1,202,803	75,839,641	22,204,777	64,568,629
10. Healthcare receivables (a) .....		52,437,124			0	38,223,709
11. Other non-health .....					0	
12. Medical incentive pools and bonus amounts .....	4,451,019	6,486,167	714,374	3,487,428	5,165,393	4,955,235
13. Totals (Lines 9 - 10 + 11 + 12)	25,452,993	908,381,271	1,917,177	79,327,069	27,370,170	31,300,155

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	16,828	16,828	16,867	16,867	16,867
2.	2007 .....	297,153	328,528	328,677	328,669	328,669
3.	2008 .....	XXX	349,386	387,139	387,137	387,037
4.	2009 .....	XXX	XXX	483,814	517,574	517,113
5.	2010 .....	XXX	XXX	XXX	485,182	516,311
6.	2011 .....	XXX	XXX	XXX	XXX	550,790

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	16,828	16,828	16,867	16,867	16,867
2.	2007 .....	297,153	328,528	328,677	328,669	328,669
3.	2008 .....	XXX	349,386	387,139	387,137	387,037
4.	2009 .....	XXX	XXX	482,814	517,574	517,113
5.	2010 .....	XXX	XXX	XXX	486,038	517,166
6.	2011 .....	XXX	XXX	XXX	XXX	595,364

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1.	2007 .....	407,195	328,669	30,380	9.2	359,049	88.2	0	38	359,087	88.2
2.	2008 .....	510,856	387,037	26,117	6.7	413,154	80.9	0	45	413,199	80.9
3.	2009 .....	652,163	517,113	28,026	5.4	545,139	83.6	0	60	545,199	83.6
4.	2010 .....	666,988	516,311	23,885	4.6	540,196	81.0	855	127	541,178	81.1
5.	2011 .....	757,634	550,790	19,982	3.6	570,772	75.3	44,574	400	615,746	81.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....					
2.	2007 .....					
3.	2008 .....	XXX				
4.	2009 .....	XXX	XXX	71,683	82,751	82,751
5.	2010 .....	XXX	XXX	XXX	374,677	369,562
6.	2011 .....	XXX	XXX	XXX	XXX	410,003

Section B - Incurred Health Claims - Other

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....					
2.	2007 .....					
3.	2008 .....	XXX				
4.	2009 .....	XXX	XXX	71,683	82,751	82,751
5.	2010 .....	XXX	XXX	XXX	375,739	370,624
6.	2011 .....	XXX	XXX	XXX	XXX	444,756

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Other

Years in which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1.	2007 .....	0			0.0	0	0.0			0	0.0
2.	2008 .....	0			0.0	0	0.0			0	0.0
3.	2009 .....	121,824	82,751	5,795	7.0	88,546	72.7			88,546	72.7
4.	2010 .....	449,967	369,562	13,301	3.6	382,863	85.1	1,062		383,925	85.3
5.	2011 .....	496,158	410,003	8,964	2.2	418,967	84.4	34,753		453,720	91.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	16,828	16,828	16,867	16,867	16,867
2.	2007 .....	297,153	328,528	328,677	328,669	328,669
3.	2008 .....	XXX	349,386	387,139	387,137	387,037
4.	2009 .....	XXX	XXX	555,497	600,325	599,864
5.	2010 .....	XXX	XXX	XXX	859,859	885,873
6.	2011 .....	XXX	XXX	XXX	XXX	960,793

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	16,828	16,828	16,867	16,867	16,867
2.	2007 .....	297,153	328,528	328,677	328,669	328,669
3.	2008 .....	XXX	349,386	387,139	387,137	387,037
4.	2009 .....	XXX	XXX	554,497	600,325	599,864
5.	2010 .....	XXX	XXX	XXX	861,777	887,790
6.	2011 .....	XXX	XXX	XXX	XXX	1,040,120

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1.	2007 .....	407,195	328,669	30,380	9.2	359,049	88.2	0	38	359,087	88.2
2.	2008 .....	510,856	387,037	26,117	6.7	413,154	80.9	0	45	413,199	80.9
3.	2009 .....	773,987	599,864	33,821	5.6	633,685	81.9	0	60	633,745	81.9
4.	2010 .....	1,116,955	885,873	37,186	4.2	923,059	82.6	1,917	127	925,103	82.8
5.	2011 .....	1,253,792	960,793	28,946	3.0	989,739	78.9	79,327	400	1,069,466	85.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	0								
2. Additional policy reserves (a) .....	0								
3. Reserve for future contingent benefits .....	0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... ) for investment income .....	10,477,929						2,460,415		8,017,514
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0
6. Totals (gross) .....	10,477,929	0	0	0	0	0	2,460,415	0	8,017,514
7. Reinsurance ceded .....	0								
8. Totals (Net)(Page 3, Line 4) .....	10,477,929	0	0	0	0	0	2,460,415	0	8,017,514
9. Present value of amounts not yet due on claims .....	0								
10. Reserve for future contingent benefits .....	0								
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (gross) .....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded .....	0								
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ ..... for occupancy of own building) .....	939,018	23,087	2,916,634		3,878,739
2. Salary, wages and other benefits .....	17,190,844	4,253,910	48,236,483		69,681,237
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....	1,878,974	4,203	5,841,789		7,724,966
4. Legal fees and expenses .....	11,012	24	222,004		233,040
5. Certifications and accreditation fees .....	0	0			0
6. Auditing, actuarial and other consulting services ....	3,015,651	746,565	9,574,869		13,337,085
7. Traveling expenses .....	709,805	48,133	2,181,688		2,939,626
8. Marketing and advertising .....	2,187,935	4,886	6,801,056		8,993,877
9. Postage, express and telephone .....	827,299	141,404	2,448,652		3,417,355
10. Printing and office supplies .....	2,900,153	121,385	8,853,422		11,874,960
11. Occupancy, depreciation and amortization .....	0	0			0
12. Equipment .....	137,727	13,161	415,680		566,568
13. Cost or depreciation of EDP equipment and software .....	2,118	5	6,555		8,678
14. Outsourced services including EDP, claims, and other services .....	1,790,382	7,716,636	5,376,867		14,883,885
15. Boards, bureaus and association fees .....	82,361	17,035	235,728		335,124
16. Insurance, except on real estate .....	506	0	1,576		2,082
17. Collection and bank service charges .....	6,713	320	191,108		198,141
18. Group service and administration fees .....	0				0
19. Reimbursements by uninsured plans .....	0	0			0
20. Reimbursements from fiscal intermediaries .....	0				0
21. Real estate expenses .....	0				0
22. Real estate taxes .....	(620)	(2)	(1,947)		(2,569)
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....	0		1,293,785		1,293,785
23.2 State premium taxes .....	0				0
23.3 Regulatory authority licenses and fees .....	3,416	8	89,064		92,488
23.4 Payroll taxes .....	1,147,947	294,271	3,195,200		4,637,418
23.5 Other (excluding federal income and real estate taxes) .....					0
24. Investment expenses not included elsewhere .....				138,871	138,871
25. Aggregate write-ins for expenses .....	461,156	2,374	2,808,048	0	3,271,578
26. Total expenses incurred (Lines 1 to 25) .....	33,292,397	13,387,405	100,688,261	138,871	(a) .....147,506,934
27. Less expenses unpaid December 31, current year .....	477,513	192,015	1,585,009	33,518	2,288,055
28. Add expenses unpaid December 31, prior year .....	395,502	159,037	624,859	1,782	1,181,180
29. Amounts receivable relating to uninsured plans, prior year .....			89,658,313		89,658,313
30. Amounts receivable relating to uninsured plans, current year .....			37,204,955		37,204,955
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	33,210,386	13,354,427	47,274,753	107,135	93,946,701
DETAILS OF WRITE-INS					
2501. Other general expenses .....	461,156	2,374	2,627,819		3,091,349
2502. Stipends .....			180,229		180,229
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	461,156	2,374	2,808,048	0	3,271,578

(a) Includes management fees of \$ .....135,222,095 to affiliates and \$ ..... to non-affiliates.



EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds .....	(a) 232,175	229,209
1.1	Bonds exempt from U.S. tax .....	(a) .....	.....
1.2	Other bonds (unaffiliated) .....	(a) 1,902,874	1,923,081
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5	Contract Loans .....	.....	.....
6	Cash, cash equivalents and short-term investments .....	(e) 60,219	74,752
7	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	0	0
10.	Total gross investment income .....	2,195,268	2,227,042
11.	Investment expenses .....	.....	(g) 138,871
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) 0
13.	Interest expense .....	.....	(h) 93,383
14.	Depreciation on real estate and other invested assets .....	.....	(i) .....
15.	Aggregate write-ins for deductions from investment income .....	.....	0
16.	Total deductions (Lines 11 through 15) .....	.....	232,254
17.	Net investment income (Line 10 minus Line 16) .....	.....	1,994,788
DETAILS OF WRITE-INS			
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	0	0
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....		0

- (a) Includes \$ 6,254 accrual of discount less \$ 1,462,330 amortization of premium and less \$ 93,931 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$. investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	8,602	0	8,602	0	0
1.1	Bonds exempt from U.S. tax .....	.....	.....	0	.....	.....
1.2	Other bonds (unaffiliated) .....	84,335	0	84,335	0	0
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	0	0	0	0	0
2.21	Common stocks of affiliates .....	0	0	0	0	0
3.	Mortgage loans .....	.....	0	0	0	0
4.	Real estate .....	.....	0	0	.....	0
5.	Contract loans .....	.....	.....	0	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	0	.....	.....
7.	Derivative instruments .....	.....	.....	0	.....	.....
8.	Other invested assets .....	.....	0	0	0	0
9.	Aggregate write-ins for capital gains (losses) .....	0	0	0	0	0
10.	Total capital gains (losses) .....	92,937	0	92,937	0	0
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	0	0	0	0	0

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			0
2.2 Common stocks .....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			0
3.2 Other than first liens .....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			0
4.2 Properties held for the production of income .....			0
4.3 Properties held for sale .....			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....			0
6. Contract loans .....			0
7. Derivatives (Schedule DB) .....			0
8. Other invested assets (Schedule BA) .....			0
9. Receivables for securities .....			0
10. Securities lending reinvested collateral assets (Schedule DL) .....			0
11. Aggregate write-ins for invested assets .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	0	0	0
13. Title plants (for Title insurers only) .....			0
14. Investment income due and accrued .....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....			0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			0
15.3 Accrued retrospective premiums .....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....			0
16.2 Funds held by or deposited with reinsured companies .....			0
16.3 Other amounts receivable under reinsurance contracts .....			0
17. Amounts receivable relating to uninsured plans .....			0
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0
18.2 Net deferred tax asset .....	942,995	5,452,341	4,509,346
19. Guaranty funds receivable or on deposit .....			0
20. Electronic data processing equipment and software .....			0
21. Furniture and equipment, including health care delivery assets .....			0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0
23. Receivable from parent, subsidiaries and affiliates .....	190		(190)
24. Health care and other amounts receivable .....	73,903	10,017	(63,886)
25. Aggregate write-ins for other than invested assets .....	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,017,088	5,462,358	4,445,270
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0
28. Total (Lines 26 and 27) .....	1,017,088	5,462,358	4,445,270
DETAILS OF WRITE-INS			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) .....	0	0	0
2501. ....			
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....						
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business.....	468,290	482,821	483,498	486,998	488,856	5,807,229
7. Total	468,290	482,821	483,498	486,998	488,856	5,807,229
DETAILS OF WRITE-INS						
0601. Medicare – Standalone Part D .....	419,577	428,402	428,356	431,005	432,049	5,146,750
0602. Medicare Advantage .....	48,713	54,419	55,142	55,993	56,807	660,479
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	468,290	482,821	483,498	486,998	488,856	5,807,229

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The financial statements of HealthSpring Life & Health Insurance Company, Inc. (the Company) are presented on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance (the Department).

The Department recognizes only statutory accounting practices (NAIC SAP) prescribed or permitted by the state of Texas for determining and reporting the financial condition and results of operations of an insurance company, for determining solvency under Texas Insurance Law. The National Association of Insurance Commissioners' (the NAIC) *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the state of Texas. While the Department has adopted certain prescribed accounting practices that differ from those found in SAP, the Company's financials were not affected by those differences in 2011 or 2010.

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policies

Premiums on Medicare Advantage are due monthly and are recognized as revenue during the period in which the Company is obligated to provide services to members. Premiums collected in advance are deferred and recorded as advance payments.

Premiums on Medicare Part D program (Part D) are recognized for the Part D payments received from the Centers of Medicare & Medicare Services (CMS) for which it assumes risk. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. Certain Part D payments from CMS represents payments for claims the Company pays for which it assumes no risk. The Company accounts for these subsidies as Amounts Receivable Relating to Uninsured Plans or Liability for Amounts Held under Uninsured Plans in the balance sheets.

Expenses incurred in connection with increasing membership, including acquisition costs, are charged to operations as incurred.

The Company considers all highly liquid instruments that have original maturities of three months or less at acquisition to be cash equivalents.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.

Health premiums due and uncollected are recorded during the period the Company is obligated to provide services to members and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable losses in the Company's existing health premiums due and unpaid and is based on past-due balances greater than 90 days. Balances greater than 90 days past due which are not reserved are included as non-admitted assets. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

Realized capital gains and losses are determined using the specific-identification method. Investment income is accrued as earned and legally due to be paid to the Company. Investments and investment income due and accrued are evaluated in accordance with SSAP No. 5, *Liabilities, Contingencies and Impairment of Assets* (SSAP No. 5) to determine whether an impairment exists.

The Company's results of operations are included in the federal consolidated tax return of HealthSpring, Inc. Income taxes are accounted for under the asset and liability method.

Deferred income taxes are recognized, subject to statutory limitations, for temporary differences between the financial reporting basis and the income tax basis of assets and liabilities based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Gross deferred taxes are first reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more than likely than not that some portion or all gross deferred tax assets will not be realized.

Generally, adjusted deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are non-admitted.

The Company is subject to risk-based capital requirements and satisfies the risk-based capital thresholds for electing to admit a higher amount of adjusted gross deferred tax assets. Consequently, adjusted deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, not to exceed three years, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering character.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the interest method.
3. Common stocks – not applicable.
4. Preferred stocks – not applicable.
5. Mortgage loans – not applicable.
6. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative, that are valued using the prospective method.
7. Investments in subsidiaries, controlled, and affiliated (SCA) entities – not applicable.
8. Investments in joint ventures, partnerships, and limited liabilities companies – not applicable.
9. Derivatives – not applicable.
10. The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
11. Unpaid claims and claims adjustment expenses represent the Company's liability for services that have been performed by providers for members that have not been settled. These liabilities include medical claims reported to the Company, as well as an actuarially determined estimate of claims that have been incurred by not yet reported (IBNR) to the Company. IBNR is based upon the Company's historical claims data, current enrollment, health services utilization statistics and other related information. The Company develops its estimate of IBNR using standard actuarial development methodologies, including the completion factor method. This method estimates liabilities for claims based upon the historical lag between the month when services are rendered and the month claims are paid and takes into consideration factors such as expected medical cost inflation, seasonality patterns, product mix, and

membership changes. The completion factor is a measure of how complete the claims paid to date are relative to the estimate of the total claims for services rendered for a given reporting period. Although the completion factors are generally reliable for older service periods, they are more volatile, and hence less reliable, for more recent periods, given that the typical billing lag for services can range from a week to as much as 90 days from the date of service. As a result, for the most recent two to four months, the estimate for incurred claims is developed from a trend factor analysis based upon per member per month claims trends experienced in the preceding months. Each period, the Company reexamines the previously established estimates of claims payable and liabilities for incurred but unreported claims based on actual claim submissions and other relevant changes in facts and circumstances. As the liability estimates recorded in prior periods become more exact, the Company increases or decreases the amount of the estimates, and includes the changes in hospital and medical expenses in the period in which the change is identified. In every annual reporting period, the Company's operating results include the effects of more completely developed estimates associated with prior years. The determination of IBNR is complex and involves a significant amount of judgment. Changes in this estimate can materially affect, either favorably or unfavorably, the Company's statement of operation and financial position.

The Company accrues for medical incentive pools and provider bonuses based upon contractual terms and the most recent claims data available. Included in hospital and medical expenses are claim payments, capitation payments, risk sharing payments, and pharmacy costs, net of rebates, as well as estimates of future payments of claims provided for services rendered prior to year-end.

Capitation payments represent monthly contractual fees disbursed to physicians and other providers who are responsible for providing medical care to members. Risk sharing payments represent amounts paid under risk sharing arrangement with providers including independent physician associations. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers. Rebates are recognized when the rebates are earned according to the contractual arrangements with the respective vendors. Premiums the Company pays to reinsurers are reported as hospital and medical expenses and related reinsurance recoveries are reported as deductions from hospital and medical expenses.

12. The Company has not modified its capitalization policy from the prior period.

13. Pharmacy rebates receivable consist of reasonably estimable amounts, based upon utilization data and past history, and billed amounts to pharmaceutical companies. The income from pharmacy rebates are reported as a reduction of claims expense in the summary of operations. Generally, rebate amounts are paid on a quarterly basis thirty days after the end of each quarter. Pharmaceutical rebates collected within 90 days of invoice date have been admitted.

## 2. Accounting Changes and Corrections of Errors

### A. Material Changes in Accounting Principles and/or Correction of Errors – not applicable

1. Description of Change – not applicable.
2. Impact of Change – not applicable.
3. Effect on Future Periods – not applicable.
4. Subsequent Financial Statements that are Restated – not applicable.

## 3. Business Combinations and Goodwill

### A. Statutory Purchase Method – not applicable.

### B. Statutory Merger – not applicable.

1. Texas HealthSpring, LLC (TXHS), a Texas domiciled company, merged with its affiliate, HealthSpring Life and Health Insurance Company, Inc. (HSLH), a Texas domiciled company, on December 31, 2010.
2. The transaction was accounted for as a statutory merger.

3. Each share of capital stock of TXHS (\$10,000 par value per share), whether issued, outstanding or held in treasury, was canceled upon the effectiveness of the merger. There was no change in the capital stock of HSLH as a result of the merger. The outstanding capital stock of HSLH as of December 31, 2010 consists of 2,500,000 shares of common stock (\$1 par value per share).
4. As the merger was effective as of December 31, 2010, the pre-merger revenue, net income, and surplus and surplus adjustments for TXHS and HSLH are not presented.
5. No adjustments were made directly to surplus, as both companies prepared statutory basis financial statements previously.

C. Assumption Reinsurance – not applicable.

D. Impairment Loss – not applicable.

4. Discontinued Operations

1. Identity of Segment Discontinued – not applicable.
2. Expected Disposal Date – not applicable.
3. Expected Manner of Disposal – not applicable.
4. Description of Remaining Assets and Liabilities – not applicable.
5. Amounts Related to Discontinued Operations – not applicable.

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans – not applicable.
- B. Debt Restructuring – not applicable.
- C. Reverse Mortgages – not applicable.

D. Loan-Backed Securities

1. Prepayment assumptions for Mortgage-Backed Securities, Collateralized Mortgage Obligations and Other Structured Securities were generated using a purchased prepayment model. The prepayment model uses a number of factors to estimate prepayment activity including the time of year (seasonality), current levels of interest rates (refinancing incentive), economic activity (including housing turnover), and term and age of the underlying collateral (burnout, seasoning). On an ongoing basis, we monitor the rate of prepayment and calibrate the model to reflect actual experience, market factors, and viewpoint.
2. All securities with a recognized other-than-temporary impairment (OTTI), classified on the basis of the OTTI – none
3. Each security by CUSIP with a recognized OTTI for which the present value of cash flows expected to be collected is less than the amortized cost of the security – not applicable
4. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):
  - a. The aggregate amount of unrealized losses:
    1. Less than 12 months: \$3,323
    2. 12 months or longer: None
  - b. The aggregate related fair value of securities with unrealized losses:
    1. Less than 12 months: \$2,101,327
    2. 12 months or longer: None

- E. Repurchase Agreements and/or Securities Lending Transactions – not applicable.
- F. Real Estate – not applicable.
- G. Investments in Low Income Housing Tax Credits – not applicable.
- 6. Joint Ventures, Partnerships and Limited Liability Companies
  - A. Investments in Joint Ventures, Partnerships and Limited Liability Companies – not applicable.
  - B. Impaired Investments in Joint Ventures, Partnerships and Limited Liability Companies – not applicable.
- 7. Investment Income
  - A. Any investment income due and accrued with amounts that are over 90 days past due are nonadmitted and excluded from surplus.
  - B. As of December 31, 2011 and 2010, the Company had no investment income due and accrued with amounts that are over 90 days past due.
- 8. Derivative Instruments
  - A. Market Risk, Credit Risk, and Cash Requirements for Derivatives – not applicable.
  - B. Objectives for the Use of Derivatives – not applicable.
  - C. Description of Accounting Policies for Derivatives – not applicable.
  - D&E. Net Gain or Loss from Derivatives – not applicable.
  - F. Cash Flow Hedges – not applicable.
- 9. Income Taxes

The Company adopted SSAP No. 10R, Income Taxes, effective December 31, 2009. The December 31, 2011 and 2010 balances and related disclosures are calculated and presented pursuant to SSAP No. 10R.

- 3. There were no tax amounts categorized as capital-related in either 2011 or 2010, and accordingly, tables throughout reflect ordinary amounts only.

The net deferred tax asset at December 31, 2011 and 2010, and the change from the prior year ended December 31, consist of the following components:

	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>Change</u>
Total gross deferred tax assets	\$ 4,806,756	\$ 9,996,910	\$ (5,190,154)
Statutory valuation allowance adjustment	<u>—</u>	<u>—</u>	<u>—</u>
Adjusted gross deferred tax assets	4,806,756	9,996,910	(5,190,154)
Total gross deferred tax liabilities	<u>(552,582)</u>	<u>(2,126,693)</u>	<u>1,574,111</u>
Net deferred tax assets	4,254,174	7,870,217	(3,616,043)
Total deferred tax assets nonadmitted	<u>(942,995)</u>	<u>(5,452,341)</u>	<u>4,509,346</u>
Net admitted deferred tax assets	\$ <u><u>3,311,179</u></u>	\$ <u><u>2,417,876</u></u>	\$ <u><u>893,303</u></u>

The Company is subject to the risk-based capital requirements, and has elected not to admit deferred tax assets pursuant to paragraph 10.e. under SSAP No. 10R for December, 2011 and 2010. The Company calculated admitted adjusted gross deferred tax assets equal to the sum of paragraph 10.a., 10.b., and 10.c.



The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP No. 10R is as follows:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>Change</u>
Admitted under paragraph 10.a. from prior year's income taxes paid that can be recovered through loss carrybacks	\$ 3,311,179	\$ 2,417,876	\$ 893,303
Deferred tax asset, paragraph 10.b., lesser of:			
Expected to be recognized within one year, admitted under paragraph 10.b.i	—	—	—
10% of adjusted capital and surplus, admitted under paragraph 10.b.ii	<u>13,999,427</u>	<u>10,446,763</u>	<u>3,552,664</u>
Admitted under paragraph 10.b. (lesser of b.i. or b.ii)	—	—	—
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.c.	<u>552,582</u>	<u>2,126,693</u>	<u>(1,574,111)</u>
Total admitted from the application of paragraph 10.a – 10.c.	3,863,761	4,544,569	(680,808)
Admitted under paragraph 10.e.i. from prior year's income taxes paid that can be recovered through loss carrybacks	<u>—</u>	<u>—</u>	<u>—</u>
Paragraph 10.e.ii., lesser of:			
Expected to be recognized within three years, admitted under paragraph 10.e.ii.a	—	—	—
15% of adjusted capital and surplus, admitted under paragraph 10.e.ii.b	<u>—</u>	<u>—</u>	<u>—</u>
Admitted under paragraph 10.e.ii. (lesser of e.ii.a or e.ii.b)	<u>—</u>	<u>—</u>	<u>—</u>
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.e.iii.	<u>—</u>	<u>—</u>	<u>—</u>
Total admitted from the application of paragraph 10.e.	<u>—</u>	<u>—</u>	<u>—</u>
Total admitted adjusted gross deferred tax assets	\$ <u>3,863,761</u>	\$ <u>4,544,569</u>	\$ <u>(680,808)</u>

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets consists of the following components:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>Change</u>	<u>December 31,</u> <u>2009</u>	<u>Change</u>
Total deferred tax assets	\$ 4,806,756	\$ 9,996,910	\$ (5,190,154)	\$ 11,019,793	\$ (1,022,883)
Total deferred tax liabilities	<u>(552,582)</u>	<u>(2,126,693)</u>	<u>1,574,111</u>	<u>(2,805,541)</u>	<u>678,848</u>
Net adjusted deferred tax asset	4,254,174	7,870,217	(3,616,043)	8,214,252	(344,035)
Tax effect of unrealized gains and losses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net tax effect without unrealized gain and losses	\$ <u>4,254,174</u>	\$ <u>7,870,217</u>	\$ <u>(3,616,043)</u>	\$ <u>8,214,252</u>	\$ <u>(344,035)</u>
Change in deferred income tax			\$ <u>3,616,043</u>	\$	\$ <u>344,035</u>

B. Unrecognized deferred tax liabilities

There are no temporary differences for which deferred tax liabilities are not recognized.

## C. Current income taxes incurred consist of the following major components:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>Change</b>
Current year tax expense – ordinary income	\$ 43,824,859	\$ 34,320,946	\$ 9,503,913
Tax contingency reserve	—	—	—
Current year tax expense – realized gains	<u>32,527</u>	<u>40,398</u>	<u>(7,871)</u>
Current income taxes incurred	<u>\$ 43,857,386</u>	<u>\$ 34,361,344</u>	<u>\$ 9,496,042</u>

## Deferred income tax assets and liabilities consist of the following major components:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>Change</b>
Deferred tax assets:			
Intangibles	\$ 1,648,905	\$ 8,407,457	\$ (6,758,552)
Claims payable and liability for incurred but unreported claims	481,907	422,182	59,725
Unearned Premium	4,948	11,257	(6,309)
Allowance for doubtful accounts	2,618,461	1,152,508	1,465,953
Other accrued	26,602	—	26,602
Nonadmitted asset	<u>25,933</u>	<u>3,506</u>	<u>22,427</u>
Total gross deferred tax assets	4,806,756	9,996,910	(5,190,154)
Statutory valuation allowance adjustment	<u>—</u>	<u>—</u>	<u>—</u>
Total adjusted gross deferred tax assets	4,806,756	9,996,910	(5,190,154)
Nonadmitted deferred tax assets	<u>(942,995)</u>	<u>(5,452,341)</u>	<u>4,509,346</u>
Admitted deferred tax assets	3,863,761	4,544,569	(680,808)
Deferred tax liabilities:			
Revenues, due to timing of income inclusion	(542,942)	(2,126,693)	1,583,751
Section 481 adjustment	<u>(9,640)</u>	<u>—</u>	<u>(9,640)</u>
Total deferred tax liabilities	<u>(552,582)</u>	<u>(2,126,693)</u>	<u>1,574,111</u>
Net admitted deferred tax asset	<u>\$ 3,311,179</u>	<u>\$ 2,417,876</u>	<u>\$ 893,303</u>

D. The Company believes based on the weight of available evidence that the gross deferred tax assets will be realized and statutory valuation allowance is not warranted. Tax planning strategies did not have an effect on the Company’s net admitted deferred tax assets.

The Company’s income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Current income taxes incurred	\$ 43,857,386	\$ 34,361,344
Change in deferred income tax (without tax on unrealized gains and losses)	<u>3,616,043</u>	<u>344,035</u>
Total income tax reported	<u>\$ 47,473,429</u>	<u>\$ 34,705,379</u>
Income before taxes	\$ 118,478,424	\$ 99,464,549
Income tax expense at 35% statutory rate	<u>35%</u>	<u>35%</u>
Total statutory income taxes	\$ 41,467,448	\$ 34,812,592
Increase (decrease) in actual tax reported resulting from:		
Tax-exempt income	(172,712)	(55,341)
Change in deferred taxes on nonadmitted assets	(22,427)	103,559
Nondeductible expenses	97,398	58,018
Intangible assets (novation)	(486,274)	—
Other - Texas DOI audit adjustment	6,605,222	—
Other	<u>(15,226)</u>	<u>(213,449)</u>
Total income tax reported	<u>\$ 47,473,429</u>	<u>\$ 34,705,379</u>

E. Operating loss carryforward

As of December 31, 2011, the Company did not have any operating loss carryforwards or tax credit carryforwards.

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses are:

	<u>Ordinary</u>
2011	\$ 34,356,166
2010	43,857,386

F. Consolidated federal income tax return

(1) The Company's federal income tax return is consolidated with the following entities:

- HealthSpring, Inc. (Ultimate Parent)
- NewQuest, LLC (Parent) (a)
- HealthSpring Management, Inc.
- HealthSpring USA, LLC (a)
- NewQuest Management of Alabama, LLC (a)
- NewQuest Management of Illinois, LLC (a)
- GulfQuest, LP (a)
- HealthSpring of Alabama, Inc.
- HealthSpring of Tennessee, Inc.
- HealthSpring of Florida, Inc. (d/b/a Leon Medical Center Health Plans, Inc.)
- NewQuest Management of Florida, LLC (a)
- Tennessee Quest, LLC (b)
- HealthSpring Pharmacy Services, LLC (a)
- HealthSpring Pharmacy of Tennessee, LLC (c)
- Bravo Health, LLC. (a)(d)
- Bravo Health Mid-Atlantic, Inc. (d)
- Bravo Health Texas, Inc. (d)
- Bravo Health Pennsylvania, Inc. (d)
- Bravo Health Insurance Company, Inc. (d)
- Managed Care Services, LLC (d)
- NewQuest Management of West Virginia, LLC (a)
- HealthSpring Financial Services, LLC (a)
- HealthSpring Management of America, LLC (a)

(a) Treated as a division of HealthSpring, Inc. for federal tax purposes

(b) Treated as a division of HealthSpring Management, Inc. for federal tax purposes

(c) Treated as a division of HealthSpring Pharmacy Services, LLC for federal tax purposes

(d) Prior to December 1, 2010, these entities filed as part of a separate federal income tax return

(2) The method of tax allocation among the regulated companies and HealthSpring, Inc. is subject to a written agreement, approved by the Board of Directors, whereby an allocation is made primarily on a separate-return basis with current credit for net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled periodically, usually monthly, or when deemed necessary. At December 31, 2011 and 2010, amounts due from (to) the Ultimate Parent per the tax sharing arrangements were \$3,501,804 and \$(14,470,155), respectively.

The Company accounts for tax contingencies as prescribed in SSAP No. 5, as well as the adopted portions of Financial Accounting Standards Board Accounting Standards Codification 450, *Contingencies*. As of December 31, 2011 and 2010, no provision for tax contingencies was required.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. B. and C.

In 2011 and 2010, the Company paid \$37,500,000 and \$45,000,000 in dividends to NewQuest, LLC (the Parent), respectively. In 2010, the Company received a capital contribution of \$10,000,000 from the Parent.

TXHS merged with its affiliate, HSLH, a Texas domiciled insurance company, on December 31, 2010 and HealthSpring Life and Health Insurance Company, Inc. became the surviving entity. The transaction was accounted for as a statutory merger between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at historical cost. The accompanying financial statements were adjusted to include the financial position, operating results, and cash flows of TXHS for all periods presented. In accordance with SSAP No. 68, *"Business Combinations and Goodwill"*, amounts in the statutory financial statements and accompanying notes have been restated as if the merger had occurred January 1, 2009. The merger resulted in an increase in unassigned surplus of \$62,212,000 as of December 31, 2009.

In September 2011, the Company, Bravo Health Insurance Company, Inc. (BHIC), a Delaware domiciled insurance company, and Bravo Health Texas, Inc. (BRTX), a Texas domiciled insurance company, filed documents with the states of Texas and Delaware to merger effective January 1, 2012 (Company/BHIC) and March 31, 2012 (Company/BRTX), pending regulatory approval, with HSLH becoming the surviving entity. The transaction will be accounted for as a statutory merger between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at historical cost.

- D. At December 31, 2011 and 2010, the Company reported \$18,838,573 and \$35,614,424, respectively, as the net amounts due to the parent, subsidiaries and affiliates, respectively. These amounts are settled periodically, usually monthly.
- E. Guarantees Resulting in a Material Contingent Exposure – not applicable.
- F. Management Services Agreement

The Company has contracted for managerial, administrative, and financial support services through an administrative service contract based on a percentage of premium revenue with HealthSpring Management of America, LLC (HSMA). Management fees to HSMA totaled \$135,222,095 and \$120,639,198 during 2011 and 2010, respectively, which are recorded as general administrative expenses.

#### G. Ownership

All outstanding shares of the Company are owned by NewQuest, LLC, a limited liability company domiciled in the state of Texas, which is ultimately owned by HealthSpring, Inc. HealthSpring, Inc. conducted an IPO of common shares and began trading on the NYSE on February 3, 2006.

On January 31, 2012, the Ultimate Parent completed the merger contemplated by the Agreement and Plan of Merger (the “Merger Agreement”), dated as of October 24, 2011, among the Ultimate Parent, Cigna Corporation, a Delaware corporation (“Cigna”), and Cigna Magnolia Corp., a Delaware corporation and an indirect, wholly owned subsidiary of Cigna (“Merger Sub”). Pursuant to the Merger Agreement, the Ultimate Parent was acquired by Cigna through a merger of Merger Sub with and into the Ultimate Parent (the “Merger”), with the Ultimate Parent surviving the Merger as an indirect, wholly owned subsidiary of Cigna.

At the effective time of the Merger (the “Effective Time”), (i) each outstanding share of Ultimate Parent common stock, par value \$0.01 per share (the “Ultimate Parent common stock”), other than restricted shares, treasury shares, shares owned by the Ultimate Parent, Cigna, Merger Sub, or any of their wholly owned subsidiaries, and shares for which appraisal was properly demanded, was converted into the right to receive \$55.00 in cash, without interest and subject to any applicable withholding taxes, and (ii) equity awards relating to Ultimate Parent common stock were treated in accordance with the Merger Agreement and agreements entered into in connection with the Merger, representing a transaction value of approximately \$3.8 billion. Cigna funded the purchase price with existing cash on hand and proceeds from the issuance of debt and equity securities.

- H. Upstream Intermediate Entity – not applicable.
- I. Investment in SCA Entity that Exceeds 10% of Admitted Assets – not applicable.
- J. Investments in Impaired SCA’s – not applicable.
- K. Investments in Foreign Insurance Subsidiaries – not applicable.
- L. Investment in a Downstream Non-Insurance Holding Company – not applicable.

#### 11. Debt

- A. Debt and Capital Notes – not applicable.
- B. FHLB Agreements – not applicable.

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Postretirement Benefit Plans
  - A. Defined Benefit Plan – not applicable.
  - B. Defined Contribution Plan – not applicable.
  - C. Mutli-Employer Plan – not applicable.
  - D. Consolidated/Holding Company Plans – not applicable.
  - E. Postemployment Benefits and Compensated Absences – not applicable.
  - F. Impact of Medicare Modernization Act on Postretirement Benefits – not applicable.
  
13. Capital and Surplus, Shareholders' Dividend Restriction and Quasi-Reorganizations
  1. The Company has 5,000,000 shares authorized, 2,500,000 shares issued and outstanding of \$1 par value Common Stock, owned entirely by NewQuest, LLC.
  2. The Company has no preferred stock outstanding.
  3. The payment of dividends by the Company to shareholders is limited and can only be made from earned profits unless prior approval is received from the Department. The maximum amount of dividends that may be paid by insurance companies without prior approval is also subject to restrictions relating to statutory surplus and net income.
  4. In 2011, the Company paid ordinary dividends of \$37,500,000 to its Parent. In 2010, the Company paid extraordinary dividends of \$30,000,000 and ordinary dividends of \$15,000,000 to its Parent. During the second quarter of 2010, the Company received a \$10,000,000 surplus infusion from its Parent
  5. Within the limits of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
  6. Restrictions on Unassigned Surplus – none.
  7. For Mutual Companies, Advances to Surplus Not Repaid – not applicable.
  8. Stock Held by the Company, Including Stock of Affiliated Companies – not applicable.
  9. Special Surplus Funds – not applicable.
  10. Cumulative Unrealized Gains and Losses in Surplus – none.
  11. Surplus Note – none.
  12. Quasi-Reorganization – not applicable.
  13. Date of a Quasi –Reorganization – not applicable.
  
14. Contingencies
  - A. Contingent Commitments – none.
  - B. Assessments – none.
  - C. Gain Contingencies – none.
  - D. Claims-Related Extra-contractual Obligations – none.
  - E. All Other Contingencies
 

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

In connection with CMS's continuing statutory obligation to review risk score coding practices by Medicare Advantage plans, CMS is conducting regular audits of Medicare Advantage plans for compliance by the plans and their providers with proper coding practices (sometimes referred to as "Risk Adjustment Data Validation Audits" or "RADV Audits").

In December 2010, CMS published for public comment its proposed methodology for payment adjustments determined as a result of its various RADV Audits, including its methods for sampling, payment error calculation, and extrapolation of the error rate across the relevant plan population. Numerous comments challenging CMS's methodologies were submitted to CMS by participants in the Medicare Advantage program, including the Company, in January 2011.

In February 2012, CMS released a notice of final payment error calculation methodology for Medicare Advantage RADV audits. Among other matters, the notice provided that (i) CMS would perform its next round of Medicare Advantage contract-level audits on payment year 2011, (ii) payment year 2011 is the first year that CMS will conduct payment recovery based on extrapolated estimates, (iii) CMS expects to audit about 30 Medicare Advantage contracts each year, and (iv) payment recovery amounts will be subject to a fee-for-service adjuster that accounts for the fact that the documentation standard used in RADV audits to determine a contract's payment error is different from the documentation standard used to develop the Part C risk-adjustment model.

15. Leases
  - A. Lessee Operating Leases – none
  - B. Lessor Leases – none
16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk
  1. Financial Instruments with Off-Balance Sheet Risk – not applicable.
  2. Nature and Terms of Financial Instruments with Off-Balance Sheet Risk – not applicable.
  3. Amount of Loss – not applicable.
  4. Policy for Requiring Collateral – not applicable.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
  - A. Transfer of Receivables Reported as Sales – not applicable.
  - B. Transfer and Servicing of Financial Assets – not applicable.
  - C. Wash Sales – none.
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
  - A. ASO Plans – not applicable.
  - B. ASC Plans – not applicable.
  - C. Medicare or Similarly Structured Cost Based Reimbursement Contracts – not applicable.
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators  
(A)-(F) Not applicable.
20. Fair Value Measurements
  - A. Fair Value Measurements at Reporting Date – none.
  - B. Fair Value Measurements in (Level 3) of the Fair Value Hierarchy – none.
21. Other Items

- A. Extraordinary Items – none.
- B. Troubled Debt Restructuring: Debtors – none.
- C. Other Disclosures –

Assets in the amount of \$10,753,812 and \$9,130,000 at December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

- D. Healthcare premiums due and uncollected are recorded during the period the Company is obligated to provide services to members and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable losses in the Company's existing health premiums due and uncollected and is based on past-due balances greater than 90 days. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2011 and 2010, the Company had admitted assets of \$7,958,276 and \$11,735,913 net receivable under government-insured included in health premiums due and uncollected, respectively.
- E. Business Interruption Insurance Recoveries – none.
- F. State Transferable Tax Credits – none.
- G. Subprime Mortgage-Related Risk Exposure
  - 1. Direct Exposure through Investments in Subprime Loans – not applicable.
  - 2. Direct Exposure through Other Investments – not applicable.
  - 3. Underwriting Exposure to Subprime Mortgage Risk – not applicable.
- H. Retained Assets - none

## 22. Events Subsequent

Subsequent events have been considered through February 28, 2012 for the statutory statement filed on February 28, 2012.

On January 31, 2012, the Ultimate Parent completed the merger contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of October 24, 2011, among the Ultimate Parent, Cigna Corporation, a Delaware corporation ("Cigna"), and Cigna Magnolia Corp., a Delaware corporation and an indirect, wholly owned subsidiary of Cigna ("Merger Sub"). Pursuant to the Merger Agreement, the Ultimate Parent was acquired by Cigna through a merger of Merger Sub with and into the Ultimate Parent (the "Merger"), with the Ultimate Parent surviving the Merger as an indirect, wholly owned subsidiary of Cigna.

At the effective time of the Merger (the "Effective Time"), (i) each outstanding share of Ultimate Parent common stock, par value \$0.01 per share (the "Ultimate Parent common stock"), other than restricted shares, treasury shares, shares owned by the Ultimate Parent, Cigna, Merger Sub, or any of their wholly owned subsidiaries, and shares for which appraisal was properly demanded, was converted into the right to receive \$55.00 in cash, without interest and subject to any applicable withholding taxes, and (ii) equity awards relating to Ultimate Parent common stock were treated in accordance with the Merger Agreement and agreements entered into in connection with the Merger, representing a transaction value of approximately \$3.8 billion. Cigna funded the purchase price with existing cash on hand and proceeds from the issuance of debt and equity securities.

## 23. Reinsurance

### A. Ceded Reinsurance Report

#### Section 1- General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?  
Yes ( ) No (X)
- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an



insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the Company have any reinsurance contracts in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. none.

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

B. Uncollectible Reinsurance – none.

C. Commutation of Ceded Reinsurance – none.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used to Estimate Accrued Retrospective Premium Adjustments – not applicable.

B. Where Accrued Retrospective Premium Adjustments are Recorded – not applicable.

C. Amount of Net Written Premiums Subject to Retrospective Rating Features – not applicable.

D. Medical loss ratio rebates required pursuant to the Public Health Service Act – not applicable.

25. Change in Incurred Losses and Loss Adjustment Expenses

The liability for claims unpaid as of December 31, 2010 was \$64,568,629. During the 2011, \$59,225,683 has been paid on these liabilities. Reserves remaining for prior years are now \$1,202,803, as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been a favorable prior year development of \$4,140,143 since December 31, 2010. This release is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

A.-G. – None.

27. Structure Settlements

Not applicable.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

The information below includes the stand-alone prescription drug plan line of business. The Estimated Pharmacy Rebates as Reported on Financial Statements for December 31, 2011 excludes \$951 related to non-admitted rebates. There were no non-admitted rebates for 2010.

Quarter Ended	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received Within More Than 180 Days of Billing
12/31/11	\$ 51,387,762	\$ 47,772,958	\$ -	\$ -	\$ -
09/30/11	52,795,952	46,531,331	42,918,269	-	-
06/30/11	60,146,952	43,949,822	37,374,586	6,572,544	-
03/31/11	47,137,503	41,440,994	25,622,429	15,756,704	61,862
12/31/10	36,910,074	36,400,900	29,594,738	6,761,564	44,598
09/30/10	40,115,063	34,526,708	34,464,373	108,789	(46,454)
06/30/10	61,056,391	32,332,989	26,887,596	5,479,618	(34,225)
03/31/10	49,603,542	29,541,589	1,397,579	28,160,584	(16,575)
12/31/09	27,465,333	24,868,683	3,830,555	20,882,191	155,938
09/30/09	26,275,490	23,369,496	19,848,113	3,376,959	144,424
06/30/09	3,437,156	2,590,958	1,948,774	630,816	11,368
03/31/09	2,615,452	2,125,030	1,185,229	942,791	(2,990)

B. Risk Sharing Receivables – none

C. Other Healthcare Receivables

Other Healthcare Receivables included \$624,750 related to the Texas Medicare Advantage Dual Eligible Special Need Plan, \$261,337 related to plan to plan pharmacy settlements, and \$89,370 WellMed.

29. Participating Policies

None.

30. Premium Deficiency Reserves

None.

31. Anticipated Salvage and Subrogation

None.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Texas

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2010

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2009

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

11/30/2011

3.4

By what department or departments?  
Texas Department of Insurance

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☒ No ☐ N/A ☐

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business?  
4.12 renewals?

Yes ☐ No ☒  
Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business?  
4.22 renewals?

Yes ☐ No ☒  
Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,  
7.21 State the percentage of foreign control;  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [ X ]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

KPMG LLP  
401 Commerce Street, Suite 1000  
Nashville, TN 37219-2422

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ] No [ X ]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ] No [ X ]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [ X ] No [ ] N/A [ ]

10.6

If the response to 10.5 is no or n/a, please explain

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

David Terry  
Chief Actuary - HealthSpring  
9009 Carothers Parkway, Suite 501  
Franklin, TN 37067

12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]

12.11

Name of real estate holding company

12.12

Number of parcels involved

12.13

Total book/adjusted carrying value

\$

12.2

If, yes provide explanation:

13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

None

13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]

13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]

13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] N/A [ ]

14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [ ]

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.

14.11

If the response to 14.1 is No, please explain:

14.2

Has the code of ethics for senior managers been amended?

Yes [ ] No [ X ]

14.21

If the response to 14.2 is yes, provide information related to amendment(s).

14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]

14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2	3	4
	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☐ No ☒
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers\$

20.12 To stockholders not officers\$

20.13 Trustees, supreme or grand (Fraternal Only)\$
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers\$

20.22 To stockholders not officers\$

20.23 Trustees, supreme or grand (Fraternal Only)\$
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others\$

21.22 Borrowed from others\$

21.23 Leased from others\$

21.24 Other\$
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ☐ No ☒
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment\$

22.22 Amount paid as expenses\$

22.23 Other amounts paid\$
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☐ No ☒
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes ☒ No ☐
- 24.2 If no, give full and complete information relating thereto
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided) N/A
- 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ N/A ☒
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.\$
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs.\$
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ N/A ☒
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ N/A ☒
- 24.9 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ N/A ☒

GENERAL INTERROGATORIES

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes ☒ No ☐
- 25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements \$  
25.22 Subject to reverse repurchase agreements \$  
25.23 Subject to dollar repurchase agreements \$  
25.24 Subject to reverse dollar repurchase agreements \$  
25.25 Pledged as collateral \$  
25.26 Placed under option agreements \$  
25.27 Letter stock or other securities restricted as to sale \$  
25.28 On deposit with state or other regulatory body \$10,753,812  
25.29 Other \$
- 25.3 For category (25.27) provide the following:
- | 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|----------------------------|------------------|-------------|
- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☐  
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ☐ No ☒
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$
28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Banc of America Securities, LLC	200 N. College Street, 3rd Floor Charlotte, NC 28255
USBank NA	Wachovia Building One West Fourth Street, 7th Floor Winston-Salem, NC 27101
USBank NA	1025 Connecticut Ave., NW Ste 517 Washington, DC 20036
CitiBank NA	111 Wall Street New York, NY 10043

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes ☐ No ☒

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
105900 (IARD)	General Re-New England Asset Management, Inc.	76 Batterson Park Road Farmington, CT 06032

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE HealthSpring Life & Health Insurance Company, Inc.

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- Yes [ ] No [ X ]
- 29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 - Total		0

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	94,143,866	96,800,084	2,656,218
30.2 Preferred stocks	0		0
30.3 Totals	94,143,866	96,800,084	2,656,218

- 30.4 Describe the sources or methods utilized in determining the fair values:  
Fair market values are based on market valuations provided by NAIC Securities Valuation Office. In those cases where a valuation was not available from the NAIC, fair market values were obtained from the Company's external portfolio advisors.
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?
- Yes [ ] No [ X ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?
- Yes [ ] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?
- Yes [ X ] No [ ]
- 32.2 If no, list exceptions:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE HealthSpring Life & Health Insurance Company, Inc.

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

34.1 Amount of payments for legal expenses, if any? .....\$ .....

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid



GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force? .....

Yes [ ] No [ X ]

1.2

If yes, indicate premium earned on U.S. business only. ....

\$ .....

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

\$ .....

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above .....

\$ .....

1.5

Indicate total incurred claims on all Medicare Supplement Insurance. ....

\$ .....0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned .....

\$ .....0

1.62

Total incurred claims .....

\$ .....0

1.63

Number of covered lives .....

.....0

All years prior to most current three years:

1.64

Total premium earned .....

\$ .....0

1.65

Total incurred claims .....

\$ .....0

1.66

Number of covered lives .....

.....0

1.7

Group policies:

Most current three years:

1.71

Total premium earned .....

\$ .....0

1.72

Total incurred claims .....

\$ .....0

1.73

Number of covered lives .....

.....0

All years prior to most current three years:

1.74

Total premium earned .....

\$ .....0

1.75

Total incurred claims .....

\$ .....0

1.76

Number of covered lives .....

.....0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator .....

1,253,791,914

1,116,955,264

2.2

Premium Denominator .....

1,253,791,914

1,116,955,264

2.3

Premium Ratio (2.1/2.2) .....

1.000

1.000

2.4

Reserve Numerator .....

91,722,175

72,443,276

2.5

Reserve Denominator .....

91,722,175

72,443,276

2.6

Reserve Ratio (2.4/2.5) .....

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? .....

Yes [ ] No [ X ]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? .....

Yes [ X ] No [ ]

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? .....

Yes [ ] No [ ]

5.1

Does the reporting entity have stop-loss reinsurance? .....

Yes [ ] No [ X ]

5.2

If no, explain:  
Management has elected not to purchase stop-loss reinsurance based on historical trends.

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical .....

\$ .....

5.32

Medical Only .....

\$ .....

5.33

Medicare Supplement .....

\$ .....

5.34

Dental & Vision .....

\$ .....

5.35

Other Limited Benefit Plan .....

\$ .....

5.36

Other .....

\$ .....

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Contracts contain "hold harmless" language. ....

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [ X ] No [ ]

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year .....

3,750

8.2

Number of providers at end of reporting year .....

3,845

9.1

Does the reporting entity have business subject to premium rate guarantees? .....

Yes [ ] No [ X ]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months..

\$ .....

9.22

Business with rate guarantees over 36 months .....

\$ .....

27

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? .....

Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses.....

\$ .....4,201,803

10.22 Amount actually paid for year bonuses.....

\$ .....4,438,542

10.23 Maximum amount payable withholds.....

\$ .....0

10.24 Amount actually paid for year withholds.....

\$ .....0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, .....

Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or, ..

Yes [ ] No [ X ]

11.14 A Mixed Model (combination of above)? .....

Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? .....

Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such net worth. ....

Texas

11.4 If yes, show the amount required. ....

\$ .....1,700,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? .....

Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Alabama – Part D .....
Alaska – Part D .....
Arizonia – Part D .....
Arkansas – Part D .....
California – Part D .....
Colorado – Part D .....
Connecticut – Part D .....
Delaware – Part D .....
District of Columbia – Part D .....
Georgia – Part D .....
Hawaii – Part D .....
Idaho – Part D .....
Illinois – Part D .....
Indiana – Part D .....
Iowa – Part D .....
Kansas – Part D .....
Kentucky – Part D .....
Louisiana – Part D .....
Maine – Part D .....
Maryland – Part D .....
Massachusetts – Part D .....
Michigan – Part D .....
Minnesota – Part D .....
Mississippi – Part D .....
Missouri – Part D .....
Montana – Part D .....
Nebraska – Part D .....
Nevada – Part D .....
New Hampshire – Part D .....
New Jersey – Part D .....
New Mexico – Part D .....
New York – Part D .....
North Carolina – Part D .....
North Dakota – Part D .....
Ohio – Part D .....
Oklahoma – Part D .....
Oregon – Part D .....
Pennsylvania – Part D .....
Rhode Island – Part D .....
South Carolina – Part D .....
South Dakota – Part D .....
Tennessee – Part D .....
Texas – Part D .....
Utah – Part D .....
Vermont – Part D .....
Virginia – Part D .....
Washington – Part D .....
West Virginia – Part D .....
Wisconsin – Part D .....
Wyoming – Part D .....
Dade, GA .....
Catoosa, GA .....
Walker, GA .....
Angelina, TX .....
Brazoria, TX .....
Chambers, TX .....
Cherokee, TX .....
Collin, TX .....
Dallas, TX .....
Denton, TX .....

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE HealthSpring Life & Health Insurance Company, Inc.

1
Name of Service Area
Ellis, TX .....
Fort Bend, TX .....
Galveston, TX .....
Grayson, TX .....
Gregg, TX .....
Hardin, TX .....
Harris, TX .....
Henderson, TX .....
Jasper, TX .....
Jefferson, TX .....
Johnson, TX .....
Kaufman, TX .....
Liberty, TX .....
Lubbock, TX .....
Montgomery, TX .....
Nacogdoches, TX .....
Newton, TX .....
Orange, TX .....
Polk, TX .....
Rains, TX .....
Rockwall, TX .....
Rusk, TX .....
Sabine, TX .....
San Augustine, TX .....
San Jacinto, TX .....
Shelby, TX .....
Smith, TX .....
Tarrant, TX .....
Tyler, TX .....
Upshur, TX .....
VanZandt, TX .....
Walker, TX .....
Waller, TX .....
Wood, TX .....
.....

- 13.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. ....\$ .....
- 13.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]
- 13.4 If yes, please provide the balance of funds administered as of the reporting date. ....\$ .....

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	292,996,719	265,076,775	220,659,734		
2. Total liabilities (Page 3, Line 24) .....	113,898,029	124,010,442	110,109,389		
3. Statutory surplus .....	1,700,000				
4. Total capital and surplus (Page 3, Line 33) .....	179,098,691	141,066,333	51,200,465		
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	1,247,775,835	1,113,265,246	774,550,891		
6. Total medical and hospital expenses (Line 18) .....	983,778,356	891,691,508	612,209,741		
7. Claims adjustment expenses (Line 20) .....	46,679,802				
8. Total administrative expenses (Line 21) .....	100,688,261	122,044,114	91,021,049		
9. Net underwriting gain (loss) (Line 24) .....	116,629,416	98,004,612	70,884,202		
10. Net investment gain (loss) (Line 27) .....	2,055,198	1,601,025	564,101		
11. Total other income (Lines 28 plus 29) .....	(238,715)	(181,492)	0		
12. Net income or (loss) (Line 32) .....	74,621,040	65,103,199	42,610,970		
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11) .....	120,135,824	(14,154,310)	50,559,838		
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital .....	179,098,691	141,148,424	110,550,345		
15. Authorized control level risk-based capital .....	37,193,203	34,059,053	26,504,290		
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	488,856	468,290	364,280		
17. Total members months (Column 6, Line 7) .....	5,807,229	5,389,806	4,156,939		
<b>Operating Percentage</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	78.5	79.3	79.1		
20. Cost containment expenses .....	2.7	0.0	0.0		
21. Other claims adjustment expenses .....	1.1	0.6	0.1		
22. Total underwriting deductions (Line 23) .....	90.2	90.8	91.0		
23. Total underwriting gain (loss) (Line 24) .....	9.3	8.8	9.0		
<b>Unpaid Claims Analysis</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	27,370,170	45,371,640	38,261,106		
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....	31,300,155	50,461,374	36,999,132		
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0				
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....					
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....	0				
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. Total of above Lines 26 to 31 .....	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? .....

If no, please explain: .....

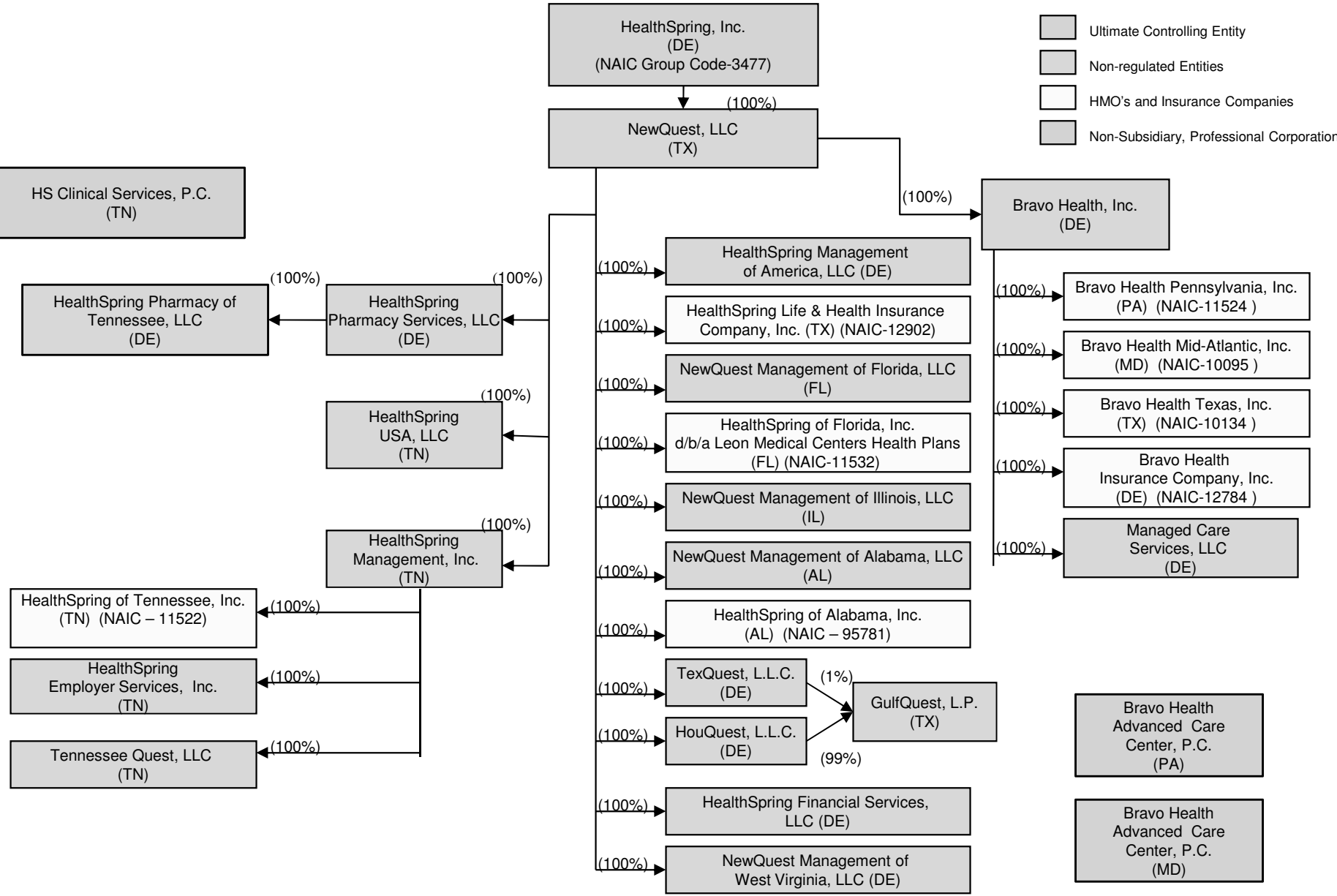
Yes [     ] No [     ]

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories										
		1	Direct Business Only							
			2	3	4	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
States, etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX					
1.	Alabama	AL	L	24,497,426					24,497,426	
2.	Alaska	AK	L	2,368,952					2,368,952	
3.	Arizona	AZ	L	496,405					496,405	
4.	Arkansas	AR	L	3,128,573					3,128,573	
5.	California	CA	L	5,212,663					5,212,663	
6.	Colorado	CO	L	2,637,643					2,637,643	
7.	Connecticut	CT	L	7,417,700					7,417,700	
8.	Delaware	DE	L	1,949,408					1,949,408	
9.	District of Columbia	DC	L	2,517,765					2,517,765	
10.	Florida	FL	N	1,751,766					1,751,766	
11.	Georgia	GA	L	7,034,676	10,248,678				17,283,354	
12.	Hawaii	HI	L	4,191,156					4,191,156	
13.	Idaho	ID	L	3,248,738					3,248,738	
14.	Illinois	IL	L	42,380,595					42,380,595	
15.	Indiana	IN	L	13,644,410					13,644,410	
16.	Iowa	IA	L	6,930,380					6,930,380	
17.	Kansas	KS	L	6,221,547					6,221,547	
18.	Kentucky	KY	L	12,365,375					12,365,375	
19.	Louisiana	LA	L	20,885,845					20,885,845	
20.	Maine	ME	L	633,333					633,333	
21.	Maryland	MD	L	10,675,749					10,675,749	
22.	Massachusetts	MA	L	18,802,381					18,802,381	
23.	Michigan	MI	L	29,696,629					29,696,629	
24.	Minnesota	MN	L	8,853,757					8,853,757	
25.	Mississippi	MS	L	18,711,894					18,711,894	
26.	Missouri	MO	L	2,912,274					2,912,274	
27.	Montana	MT	L	2,072,120					2,072,120	
28.	Nebraska	NE	L	4,101,076					4,101,076	
29.	Nevada	NV	L	1,310,011					1,310,011	
30.	New Hampshire	NH	L	956,422					956,422	
31.	New Jersey	NJ	L	1,479,882					1,479,882	
32.	New Mexico	NM	L	404,957					404,957	
33.	New York	NY	L	12,432,609					12,432,609	
34.	North Carolina	NC	L	3,668,411					3,668,411	
35.	North Dakota	ND	L	1,197,137					1,197,137	
36.	Ohio	OH	L	4,977,246					4,977,246	
37.	Oklahoma	OK	L	15,057,762					15,057,762	
38.	Oregon	OR	L	6,701,619					6,701,619	
39.	Pennsylvania	PA	L	7,725,120					7,725,120	
40.	Rhode Island	RI	L	2,801,342					2,801,342	
41.	South Carolina	SC	L	10,625,834					10,625,834	
42.	South Dakota	SD	L	1,643,139					1,643,139	
43.	Tennessee	TN	L	40,842,928					40,842,928	
44.	Texas	TX	L	60,126,379	747,385,492				807,511,871	
45.	Utah	UT	L	3,340,484					3,340,484	
46.	Vermont	VT	L	1,533,926					1,533,926	
47.	Virginia	VA	L	20,146,344					20,146,344	
48.	Washington	WA	L	16,801,469					16,801,469	
49.	West Virginia	WV	L	1,818,149					1,818,149	
50.	Wisconsin	WI	L	14,128,436					14,128,436	
51.	Wyoming	WY	L	984,282					984,282	
52.	American Samoa	AS	N	26,782					26,782	
53.	Guam	GU	N	4,029					4,029	
54.	Puerto Rico	PR	N	79,731					79,731	
55.	U.S. Virgin Islands	VI	N	3,078					3,078	
56.	Northern Mariana Islands	MP	N						0	
57.	Canada	CN	N						0	
58.	Aggregate other alien	OT	XXX	0	0	0	0	0	0	0
59.	Subtotal	XXX	496,157,744	757,634,170	0	0	0	0	1,253,791,914	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX							0	
61.	Total (Direct Business)	(a) 50	496,157,744	757,634,170	0	0	0	0	1,253,791,914	0
DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899.	Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0	0	0	

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.  
Explanation of basis of allocation by states, premiums by state, etc.  
Premiums are allocated based upon database PTD basic premium and direct subsidy collections.  
(a) Insert the number of L responses except for Canada and Other Alien.

HealthSpring, Inc.  
Corporate Organizational & Ownership Concentration Chart



**OVERFLOW PAGE FOR WRITE-INS**

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